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SUBJECT: BULGARIAN PARLIAMENT APPROVES CABINET RESHUFFLE; REASSURING  
FACES TAKE OVER ENERGY-ECONOMY AND JUSTICE

Ref: (A) SOFIA 582, (B) SOFIA 678

SOFIA 00000862 001.2 OF 002

11. (SBU) SUMMARY: Bulgaria's Parliament approved July 18 two new ministers as part of the first reshuffle of the Socialist-led three-party coalition government which assumed office nearly two years ago. Petar Dimitrov, a Socialist MP who chaired Parliament's budget committee, was confirmed as the new Minister of Economy and Energy, replacing fellow party member Roumen Ovcharov, who was forced to resign in June amid a high-profile corruption scandal (reftel). Miglena Tacheva, an experienced judge who served as Deputy Justice Minister under the previous government, takes over the Justice Ministry, traditionally under the purview of Simeon Saxe-Coburg's centrist party. Dimitrov and Tacheva, both good contacts of the Embassy, enjoy a favorable reputation, and their appointment is seen as an improvement. At the same time, Parliament also removed the lucrative forestry portfolio - a major source of graft - from the Ministry of Agriculture, controlled by the Movement of Rights and Freedom. The split aims to curb the influence of the Socialists' junior coalition partner. END SUMMARY

12. (SBU) The Parliament, where the ruling center-left coalition enjoys a stable majority, easily passed the changes proposed by Prime Minister Sergei Stanishev. With 157 votes in favor and 57 against, the MPs approved Stanishev's nominations for Petar Dimitrov as new Minister of Economy and Energy and Miglena Tacheva as Minister of Justice. Former Economy and Energy Minister Roumen Ovcharov, one of the most influential figures in the government, was forced to resign last month after becoming the center of a major graft scandal that rocked Bulgaria's establishment and contributed to the Socialists' poor showing in the May elections for European Parliament (Refs A and B). Former Justice Minister Georgi Petkanov resigned in May, quoting poor health and fatigue. With 152 votes in favor and 57 against, the MPs also backed the PM's proposal for removing the forestry portfolio from the Ministry of Agriculture, controlled by the ethnic Turkish Movement for Rights and Freedom (MRF). The Parliament created a new Agency for forestry, which will be under the Prime Minister's authority. The personal and structural changes voted July 18 are the first since Stanishev's government took office in August 2005. Below is biographical information about the two new ministers.

13. (SBU) Petar Dimitrov, 58, is a senior member of the ruling Bulgarian Socialist Party (BSP) who until now was the chair of the Parliament's Budget and Finance Committee. A reliable economist, Dimitrov often has been referred to as "the economic otor" of BSP and is one of the authors of the ruling party's economic program. He has been a vocal proponent of the "no-left-turn" economic policy of the Socialist party, arguing that the BSP-led government should remain committed to fiscal discipline despite pressure by the party's hard-line wing. As chair of the Budget and Finance Committee, Dimitrov has backed tight fiscal policies and favored further fiscal reforms that would stimulate business. His reformist ideas have triggered criticism by the BSP's more conservative electorate. Dimitrov chairs the BSP branch in Varna and appears to be one of a few prominent "white hats" in this Black Sea city largely controlled by the TIM organized crime group. A fourth-time Socialist MP, Dimitrov is an associate professor at the Economic University in Varna and its Deputy Dean. He has been a member of the BSP Supreme Council since 1990 and was recently re-elected in the party leadership.

14. (SBU) Miglena Tacheva, 47, is a career magistrate and former Deputy Justice Minister in the government of Simeon Saxe-Coburg-Gotha, the leader of the current coalition partner NMS. Tacheva is known as an open-minded and energetic person, however her determined style, often classified as stubbornness, has brought her a number of enemies. During her term as Deputy Justice Minister Tacheva was in a deep conflict with the then Minister of Justice who, however, was unable to procure her dismissal due to Tacheva's strong political backing. Although Tacheva is not formally associated with any of the lobbies within the NMS she enjoys the support of the party's leader, who in 2004 appointed her to lead the investigation into the sensitive case involving the purchase of apartments at below-market prices by high-level government officials. Tacheva has extensive background in the NGO sector and immediately following her nomination as Justice Minister pledged to strengthen the dialogue between the government and the civil sector in the rule of law arena. She has participated in programs at the National Center for Judges in Nevada, at the National Center for State Courts in Williamsburg and has been a long-term partner in USAID programs.

15. (SBU) COMMENT: Both appointments appear to be good news for the U.S. The more significant impact on U.S. interests comes from the exit of Ovcharov, a powerful government member with close ties to Moscow, who had almost entirely monopolized supervision of energy projects. A respected politician and a good embassy contact, Dimitrov is likely to be more open than Ovcharov. The downside is

SOFIA 00000862 002.2 OF 002

his lack of experience in the energy sector, but his capable deputy, a good Embassy contact, is poised to bring him up to speed quickly. Tacheva also is seen as an improvement upon her predecessor, who was dubbed "the non-existent minister" for his aloofness and lack of any action in the critical and closely-watched area of Justice Affairs.

16. (SBU) COMMENT CONTINUED: From a domestic-policy perspective, the new appointments appear to reinforce the Socialist-led government's short-term stability. The government reshuffle, however, falls short of public expectations; some of the most unpopular ministers - Health, Social Policy, and Environment -- retained their offices. We hear from BSP insiders that the PM, who also faces internal opposition, was unwilling to make drastic government changes ahead of the autumn local elections, during which the Socialists will face a strong challenge from the new populist GERB party. More government changes could come after the local elections, expected to take place in October. END COMMENT  
BEYRLE